

Dear Sir/Madam:

The IRS is currently seeking information for a proposed electronic system to provide tax transcript information to a third party designated by a taxpayer. Our focus area of response will be industry users of income verification for processing loans, grants or subsidies, or practitioners assisting taxpayers with resolution of tax issues or problems.

This Request for Information (RFI) is for planning purposes only. *Responses to this RFI are not offers and cannot be accepted by the Government to form a binding contract.* The IRS plans to issue a Request for Proposals (RFP) to select Contractors to pilot an electronic transcript delivery program later this fiscal year.

The RFI describes the accelerated services and benefits of an electronic transcript program. Your input is invited for informational purposes in the areas of systems design, security, authentication and privacy and overall concept of the electronic program and its capabilities. Specific instructions on responding are provided in the RFI. In addition, discuss the strengths and weaknesses of the RFP as a solicitation and contractual document from your perspective. Identify RFP requirements that appear ambiguous, require clarification, and suggest possible changes.

Once again, at this time everything is for informational purposes only for defining the design and policy requirements of such an electronic system. Your response to the RFI will not be used for selecting Contractors for the pilot.

All questions concerning contract terms and conditions, proposal instructions and evaluation criteria should be directed to Ms. Michelle Lane at (202) 283-1451. All other questions should be directed to Ms. Elizabeth Kelley at (202) 283-1990.

E-mail responses should be addressed to: [\\*transcripts@ml.irs.gov](mailto:*transcripts@ml.irs.gov); written responses should be sent to:

ELECTRONIC TRANSCRIPT DELIVERY PILOT PROJECT  
Electronic Tax Administration OP:ETA:E:P  
Internal Revenue Service, Room C5-463  
5000 Ellin Road, Lanham, MD 20706

All responses to this RFI and draft RFP are requested by **October 7, 1999**. Your interest in responding to this electronic transcript program is greatly appreciated.

Sincerely,

Michelle Lane  
Contracting Officer

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ELECTRONIC TAX ADMINISTRATION**

**REQUEST FOR INFORMATION  
TIRNO-99-H-00005**

The Electronic Tax Administration Office of the Department of the Treasury's Internal Revenue Service (IRS) is issuing this Request For Information (RFI) to analyze the public and private sector's reaction to a proposed electronic program. The Internal Revenue Service requests comments on various aspects of the piloting and implementation of this program, as well as specific questions concerning privacy, authentication, and security.

Background

The mission of the Electronic Tax Administration Office of the Department of the Treasury's Internal Revenue Service (IRS) is to revolutionize how taxpayers transact and communicate with the IRS. Strategies to fulfill the mission include:

- Making electronic filing, payments, transactions and communications so simple, inexpensive, and trusted that taxpayers will prefer these to calling and mailing;
- Providing additional taxpayer access methods to products and services centering on electronic filing, payment, transaction, and communication products and services;
- Aggressively protecting transaction and information integrity and quality; and
- Seeking the best people, ideas and partners to assure IRS success.

In response to the IRS' Restructuring and Reform Act of 1998, the IRS has been tasked with increasing electronic communications and services to the public. One of the services provided by the IRS is to respond to over six (6) million requests annually from taxpayers requesting copies of paper tax returns, return transcripts (an electronic version of your submitted tax return), verification of non-filing and W-2s. Of the six (6) million, approximately two (2) million are from taxpayers requesting that their tax

information be sent to a designated "third-party" entity. Examples of third-party entities include tax practitioners, financial institutions, the mortgage industry, colleges/universities and local, state, and federal government entities. The most frequent use of tax information by these third parties is to provide income verification for loans, grants, subsidies or other monetary guarantees, while tax practitioners assist taxpayers in resolving tax issues.

Chapter 61 of the Internal Revenue Code addresses the confidentiality and disclosure of returns and return information. Under Section 6103(e) (Disclosure of Persons Having Material Interest), a taxpayer has the right to obtain his/her tax return and/or most return information held by the IRS that pertains to the taxpayer. Under Section 6103(c) (Disclosure of Returns and Return Information to Designee of Taxpayer), a taxpayer may designate a third-party recipient to receive his/her return or return information and may authorize the IRS to release that information to that third party.

The IRS uses Form 4506 "Request for Copy or Transcript of Tax Form" for taxpayers to request copies of return transcripts. The current process is as follows:

1. A taxpayer obtains a Form 4506. Form 4506 may be obtained from the IRS' website, an IRS office, or it may be presented to the taxpayer by the third party for the loan, grant or subsidy application process.
2. The taxpayer completes the Form 4506 to authorize the IRS to release their tax information to a designated third party. Completing the form includes signing and dating the Form 4506.
3. The taxpayer mails the completed, signed and dated form to the appropriate IRS Service Center. In cases where the third party has provided the Form 4506 to the taxpayer, the third party mails or, in some cases, delivers the Form 4506 to the appropriate IRS Service Center.
4. The IRS receives the Form 4506, routes it to the appropriate IRS function and retrieves the requested tax information.
5. The IRS mails the requested tax information to the taxpayer or to the third party designated by the taxpayer on the form.

Improving Customer Service

The IRS seeks to develop a process to automate the paper process of the Form 4506 for third-party requests. The system would electronically receive and process requests for disclosure of tax return information from a third-party entity authorized by individual taxpayers. To assist the IRS in final development of this program, the IRS seeks comments and feedback from taxpayers and the private and public sectors on access methods.

Since one third of the Form 4506 requests are taxpayers requesting their tax information be sent to a third party, the IRS seeks to improve customer service to the taxpayer by:

- (1) *Accelerating Delivery Time.* Currently, the receipt, processing and retrieval of the return information for a designated third party takes the IRS approximately seven (7) to ten (10) days, excluding the time it takes for the tax information to be mailed to the third party. It is proposed that the electronic delivery of return transcripts could be made available within a 24-hour time period.
- (2) *Providing Electronic Authentication and Signature.* The proposed system would have an electronic Form 4506 that would be filled out on a computer. Electronic authentication and electronic signature would ensure to the IRS that the taxpayer is authorizing the release of the information.
- (3) *Making the Process a One-Stop Service.* Currently, the taxpayer (or business entity using the Form 4506 as part of their financial benefit processing package) must retrieve the Form 4506 from an on-line site or from an IRS office. The proposed system would provide this in an electronic form through a computer at the office where the taxpayer is applying for the loan, benefit, subsidy, or other financial transaction.

(4) *Reducing the Amount of Information Currently Released Through a Standard Return Transcript.* Currently, when a taxpayer authorizes his/her return transcript be sent to a third party, a full return transcript (over 200 lines of information transcribed from the taxpayer's return) is sent. The proposed system would tailor the needs of public and private industry to specific information from the taxpayer's return that will aid in the processing of the application.

(5) *Ensuring Timely Processing of the Request.* Currently, the third-party entity providing the Form 4506 to the taxpayer at the time of application processing may request the taxpayer to sign *but not date* the form. This allows the third-party to send in the Form 4506 at a later date, in instances such as a mortgage resale which may occur a year or two from the original application processing. The proposed system would authenticate the taxpayer to the IRS (see item #2 above) and then electronically date the request, locking it from further manipulation. The taxpayer will be assured that the designated recipient is receiving the data within a 24-hour period.

#### Proposed Pilot of the Electronic Program

The IRS plans to pilot an electronic transcript delivery system with approximately 100 industry users. Contractors will be selected competitively through the Request For Proposal (RFP) process and will be awarded contracts, with the possibility of a user fee, for a period up to one year, with an option to extend the term of the contract.

The RFP will be open for thirty (30) days to all private sector businesses/firms in the following industries in the state of California who perform income verification for loans, grants or subsidies or who provide resolution to tax problems or issues:

	<u>Standard Industrial Classification Code</u>
Tax Practitioners	Industry Numbers 7291, 8721
Financial Institutions	Major Group 60
Mortgage Industries	Major Group 61
Credit Bureaus/Credit Reporting Services	Industry Number 7323

These industries comprise the largest volume of designated recipients on the Forms 4506 from taxpayers and will enable the IRS to pilot with a large audience to test an electronic transcript delivery system in terms of customer satisfaction, system capacity and security, and ease of use. For the pilot, the geographical limitation to the

state of California is to maintain software support and reduce burden and cost to Contractors for training. In addition, it will limit costs to the IRS in random reviews of system performance, security of information checks, observation of taxpayer processing and Contractor conformance to the terms and conditions of the contract.

The capability to collect a user fee for the electronic transcript service is being developed and a user fee may be collected from the Contractors at some point during the pilot.

The Contractors will be required to have available (purchase, lease or rent) hardware equipment and software systems to be specified in the RFP. This equipment must be available by the start up of the training period and will be needed for the entire length of the pilot. Training on the systems will be at the expense of the Contractors and will be structured as a two-day class at the IRS Service Center in Fresno, California.

During the pilot, the IRS will ask for several reports. Status reports to be completed by the Contractors will be used to evaluate problems, determine any changes to be made during the pilot, evaluate lessons learned and to gather recommendations for improvement of the system. These reports are geared towards the Contractor's experience in dealing with the system, the customers, the hardware and software, the quality of training, the assistance provided by the IRS' Help Desk and the usefulness of an IRS-provided User's Guide.

The IRS will also conduct a Taxpayer Satisfaction Survey with a random sample of taxpayers who participated in the electronic transcript delivery pilot. The Contractor will not have knowledge of the particular taxpayers selected for this random survey.

To help the IRS evaluate discrepancies between income reported by a taxpayer versus income stated on an application form, the Contractors will be required to complete a form that captures statistical data on discrepancies of income reporting. This will require the Contractors to track and record the number of requests processed, the number of discrepancies from the information provided by the taxpayers and the number of loans, grants or subsidies that were declined based on the data provided by the electronic transcript delivery pilot. All information collected will be statistical in nature and will not identify individual taxpayers.

The Contractor will also be required to provide a written notice to each taxpayer prior to their participation in the electronic transcript delivery pilot. This written notice makes the taxpayer aware of their privacy interests and explains the purpose and scope of the ETDS pilot.

A draft Request For Proposals (RFP) titled "Draft Request For Proposal TIRNO-99-R-00043" is posted accompanying this RFI on the IRS' Procurement website at [www.procurement.irs.treas.gov/opportun.htm](http://www.procurement.irs.treas.gov/opportun.htm).

One of the most important requirements of the RFP will be for the Contractors to maintain the confidentiality and security of the taxpayer's data. Although this information is supplied to the Contractor at the taxpayer's consent, the IRS will require that all information received through this program meet the following stringent security requirements:

- (1) Tax return information will be kept confidential
- (2) Tax return information will be used solely for the purpose directed by the taxpayer
- (3) Tax return information will be stored in locked containers when not in use
- (4) Tax return information will not be discussed unless specifically referring to the taxpayer's application
- (5) Tax return information will not be further disclosed, traded, bartered or sold without the express authorization of the taxpayer (i.e., the Contractor will be required to obtain another authorization from the taxpayer for further disclosures).

#### Requested Comments

The Internal Revenue Service is seeking comments and input from industry, federal, state and local agencies and taxpayers concerning the piloting/implementation of this concept. In particular, the Internal Revenue Service is interested in responses to the following, but will appreciate all comments or reactions to the proposed pilot:

1. Based on commercial practice, what would be the best vehicle to deliver this product (e.g., encrypted Internet, encrypted e-mail, encrypted modem with digitized signature pads, etc.)? What issues do each of these methods raise with regards to security, authentication, safeguarding data, etc.?

2. How might companies and/or industry sectors self regulate the safeguarding of sensitive taxpayer information?
3. Please comment on the effort which businesses and agencies expend in income verification on an annual basis.
4. Do you, your company or agency currently perform sensitive transactions related to income verification or tax resolution issues over the Internet or via e-mail? Are most of these types of interactions internet-based or paper-based? Is your office fully automated (i.e., do all employees have a computer, e-mail and Internet accessibility?)
5. Is there common knowledge and use in your industry of the IRS' Form 4506 and the ability to receive a copy of a paper return, return transcript, W-2 or verification of non-filing?
6. What on-line experiences have you encountered in which privacy and safeguarding of income verification or tax resolution information have been at issue? In what instances have they appeared at risk? In what instances were they well protected? In what ways have businesses or organizations been responsive to privacy and information safeguarding concerns? Have you had any negative experiences in protecting your privacy on line?
7. What circumstances give rise to good privacy and information safeguarding protection in a traditional business setting or on line?
8. Please comment on whether you feel an electronic transcript system should be made universally available to any business requiring income verification or tax resolution. Would 24-hour delivery of income verification by the IRS accomplish accelerated processing of a loan, grant or subsidy or resolution of a tax issue?
9. Please comment on the proposed 24-hour delivery versus the current seven (7) to ten (10) day process. What advantages would you, your business or agency have if the information were available in a "real time" on-line basis?
10. Please comment on whether you feel third-party entities would maintain the confidentiality and security of the provided return information.
11. Do you, your business or agency regularly sell customer information for marketing or advertising purposes?
12. What do you, your business or agency see as methods to increase confidentiality, security and improved customer service to the taxpayer in providing electronic transcripts?
13. What do you, your business or agency see as elements of enforcement mechanisms necessary for maintaining effective confidentiality, security or enhancing customer service to the taxpayer?



14. What do you, your business or agency see as the main advantage(s) and disadvantage(s) of such a system?
15. What would you, your business or agency identify as an appropriate consequence for any mishandling, misuse or unauthorized disclosure of your tax return information by a third party that requires taxpayer information to process a loan, grant or subsidy or resolve a tax issue?
16. What existing privacy policies do you, your business or agency follow? In what ways do they effectively address concerns about privacy in the information to which they apply? In what ways do they fail?
17. Please comment on what you think the responsibilities of the government, businesses or agencies are in protecting taxpayer data. To what extent do these parties have a right to collect and use information to further their commercial interests?
18. Should the government have an interest in reducing the proliferation of taxpayer consent-based disclosures?
19. Please comment on whether you think that a growth in taxpayer consent-based disclosures will have an impact (positive or negative) on voluntary tax law compliance by the taxpayers.
20. Would you, your business or agency be amenable to paying a user fee for this accelerated service? If so, what would you see as a reasonable charge for this service?
21. What would you, your business or agency see as a viable means of authenticating the taxpayer to the IRS within this electronic format? What form of electronic signature (e.g., selection of a personal identification number, signing digitized signature pad, a public key-private key system, etc.) would be best and would ensure legal recourse?
22. What type of information do you, your business or agency use in processing applications for income verification for loans, grants, subsidies, etc.? Is this information corroborated with information secured from other private or public agencies?
23. Please comment on the types of written reports and statistical accounting required by the Contractors.
24. Please comment on the draft RFP (Draft Request For Proposals TIRNO-99-R-00043) located at the IRS' website of [www.procurement.irs.treas.gov/opportun.htm](http://www.procurement.irs.treas.gov/opportun.htm), including input on contractual terms and conditions of evaluation criteria.
25. Please indicate your industry type or if you are an individual.

TIRNO-99-H-00005  
Robert E. Barr  
Assistant Commissioner  
Electronic Tax Administration

## REQUEST FOR INFORMATION

**DATES:** Comments must be received by October 7, 1999.

**ADDRESSES:**

*Written Comments:* Mail written comments to:

ELECTRONIC TRANSCRIPT DELIVERY PILOT PROJECT  
Electronic Tax Administration, OP:ETA:E:P  
Internal Revenue Service, Room C5-463  
5000 Ellin Road, Lanham, MD 20706

Paper submissions should include three paper copies and a version on diskette in ASCII, Microsoft Word (please specify version), or WordPerfect (please specify version) format.

*Electronic Comments:* Comments submitted in electronic form should be in ASCII, Microsoft Word (please specify version) or WordPerfect (please specify version) format to the following e-mail address: [www.\\*transcript@ml.irs.gov](mailto:www.*transcript@ml.irs.gov).

**FOR FURTHER INFORMATION CONTACT:** Elizabeth Kelley, IRS, (202) 283-1990.